

FY 2003-04

ALL OTHER

Executive Recommendation

Capital Outlay

History, Arts, and Libraries

Judiciary

Transportation

Summary: Executive Budget Recommendation

CAPITAL OUTLAY

FY 2003-04 House Bill 4386

Analyst: Al Valenzio

FY 2003-04 Appropriation Recommendations

	FY 2002-03 YTD (as of 3/6/03)	FY 2003-04 Executive	Difference: Exec to FY 2002-03 YTD	
			Amount	%
IDG/IDT	\$4,000,000	\$2,000,000	(\$2,000,000)	(50.0)
Federal	189,892,000	202,652,000	12,760,000	6.7
Local	43,000,000	42,789,600	(210,400)	(0.5)
Private	0	0	0	0.0
Restricted	83,498,400	41,340,000	(42,158,400)	(50.5)
GF/GP	289,166,900	306,302,100	17,135,200	5.9
Gross	\$609,557,300	\$595,083,700	(\$14,473,600)	(2.4)
FTEs	N/A	N/A	N/A	N/A

Overview

The Michigan Capital Outlay process is the *budgetary and administrative functions devoted to the financing and planning for the acquisition, construction/renovation, and maintenance of facilities used by a state agency, public university, or community college*. General operational practices and procedures are contained in the Management and Budget Act (1984 PA 431), the State Building Authority Act (1964 PA 183), the annual Capital Outlay appropriations act (2002 PA 518), and the formal policies of the Legislative Joint Capital Outlay Subcommittee. Act 431 contains numerous oversight and approval action steps that define the respective roles of the Executive and Legislative branches.

The State Building Authority (SBA) finances most major state-owned facility renovations and new construction projects. This is accomplished through the issuance of revenue bonds. The debt service on these bonds is provided annually in the Capital Outlay budget bill's SBA rent line items. Rent is often referred to as "true" rent because it is based on the facility's economic or market value. The SBA has a statutory bonded indebtedness ceiling, currently set at \$2.7 billion.

In the Executive budget message, the Governor indicates that of the currently authorized, active SBA projects for state agencies, universities, and community colleges only those projects "...with direct, measurable economic benefits" will continue to proceed to the construction phase. All others will be delayed. This could adversely affect as many as 16 legislatively-authorized projects for agencies/institutions that are not currently under construction.

Summary of Major Budget Issues

- Places an indefinite 'hold' on as many as 16 existing SBA project authorizations.
- Increases State Building Authority Rent by 6%, or \$17.1 million.
- Consolidates GF/GP Special Maintenance monies into an 'emergency only' account.
- Contains no new SBA planning or construction authorizations.
- Authorizes construction of a new Army Aviation facility at a cost of \$20.8 million.

ALL OTHER - CAPITAL OUTLAY

Major Budget Changes from FY 2002-03 YTD Appropriations:		YTD FY 2002-03	Executive Change
1. State Building Authority Rent The state pays rent to the SBA so it can pay off bonds that are used to finance building construction projects for state agencies, universities, and community colleges. The Governor is recommending a 5.8% gross increase to fully fund projects that will come on line this year and to partially fund projects coming on line next year. Restricted fund shifts are also recommended to reflect anticipated receipt of funds.	Gross	\$291,311,700	\$16,840,400
	Restricted	4,145,000	(295,000)
	GF/GP	\$287,166,700	\$17,135,400
2. Major Special Maintenance for State Agencies The Governor is recommending that GF/GP appropriations for special maintenance for the Departments of Corrections, Community Health, State Police, Military and Veterans' Affairs, and the FIA be transferred to a single line item for the Department of Management and Budget. It would then be policy to only expend funds for emergency repairs that involve health and safety issues. This would be the second year that this policy would be in effect. The appropriation for special maintenance funded from Building Occupancy Charges is reduced by 50% due mainly to staff reductions throughout state government.	Gross	\$6,000,000	(\$2,000,000)
	IDG	4,000,000	(2,000,000)
	GF/GP	\$2,000,000	\$0
3. One-Time Appropriations The Governor's recommendation reflects elimination of various one-time appropriations for project financing. Continuation funding is not required to complete any of these projects.	Gross	\$60,478,400	(\$60,478,400)
	Federal	21,250,000	(21,250,000)
	Restricted	39,228,400	(39,228,400)
4. Army Aviation Support Facility For the Department of Military and Veterans' Affairs, the Governor's budget authorizes construction of a new 110,500 sq. ft. helicopter support/maintenance/storage facility at Grand Ledge. More than 98% of the cost will be funded by federal monies. The Department anticipates receiving up to 22 additional Blackhawk helicopters requiring a new support facility.	Gross	\$0	\$20,800,000
	Federal	0	20,460,000
	Restricted	0	340,000
5. Replacement Armory - Shiawassee County For the Department of Military and Veterans' Affairs, the budget authorizes construction of a new Owosso Armory in Shiawassee County. This will be financed on a 75/25, federal/state basis. The current 85-year old, 28,100 sq. ft. facility is located in downtown Owosso on less than one-half acre of land. Electrical and mechanical systems are in-adequate and the building is not ADA compliant. A new facility will be at least 3,000 square feet larger and provide adequate space for vehicle parking and storage. This armory houses a military police company.	Gross	\$0	\$5,000,000
	Federal	0	3,750,000
	Restricted	0	1,250,000
6. United States Property and Fiscal Office Facility For the Department of Military and Veterans' Affairs, the budget authorizes construction of a new 28,500 sq. ft. building to house the fiscal and logistical support for the entire Michigan National Guard. Federal funds provide more than 92% of the project's total cost. This replaces a 50-year old facility.	Gross	\$0	\$6,700,000
	Federal	0	6,200,000
	Restricted	0	500,000
7. Federal Projects - Camp Grayling For the Department of Military and Veterans' Affairs, the budget authorizes construction of two, 100% federally funded building projects at the camp. One is a new Bachelor Officer Quarters and the other is a new Conference Center.	Gross	\$0	\$3,600,000
	Federal	0	3,600,000

Major Budget Changes from FY 2002-03 YTD Appropriations:

8. Detroit Transportation Service Center (TSC)

For the Department of Transportation, the Executive budget authorizes a new Detroit TSC office building to house about 60 MDOT employees. It is estimated to cost \$3.3 million. This will replace a leased facility. The previously authorized Brighton TSC project is cancelled with that appropriation of \$800,000 being shifted to this project.

	YTD FY 2002-03	Executive Change
Gross	\$0	\$2,500,000
Restricted	0	2,500,000

9. Gaylord Regional (MDOT) Office

The Executive budget authorizes a \$1.8 million project cost increase for the Gaylord (Otsego County) Regional Office Building. This facility will house about 80 MDOT employees. Of the increase, \$800,000 is provided by direct appropriation with the remaining \$1 million coming from termination of the previously authorized Grayling TSC project.

Gross	\$1,000,000	(\$200,000)
Restricted	1,000,000	(200,000)

10. State Parks Maintenance and Infrastructure

The Executive budget recommendation reduces funding by 87% for state park capital improvements in order to supplant a like amount of General Fund dollars for state parks operations. As a result, only \$1 million will be available to support capital improvement projects at the state's 95 state parks.

Gross	\$7,700,000	(\$6,700,000)
Restricted	7,700,000	(6,700,000)

11. State Boating Access Sites

For the Department of Natural Resources, the budget authorizes construction of two new state owned boating access sites: Crystal Lake (Benzie County), \$550,000 and Trout Lake (Livingston County), \$310,000.

Gross	\$0	\$860,000
Restricted	0	860,000

12. Harbors and Docks - Local Facilities

Through the Department of Natural Resources, the budget provides equal matching funds for specific locally-owned marina improvement projects. These are South Haven (Van Buren County), for \$625,000 and Harrisville (Alcona County), for \$600,000. The South Haven project entails replacing the marina dock system while the Harrisville project is for restroom/shower building improvements.

Gross	\$0	\$1,225,000
Restricted	0	1,225,000

13. Boating Access Sites - Local Facilities

Through the Department of Natural Resources, the budget provides matching funds to Traverse City (Grand Traverse County) for an upgrade project on a Grand Traverse Bay boating access site. The state will finance 75% of the project's cost that entails replacing the launch ramp, paving the parking lot, and ADA-related modifications.

Gross	\$0	\$135,000
Restricted	0	135,000

Major Boilerplate Changes from FY 2002-03:

Sec. 203. Michigan Goods and Services - DELETED

Prohibits purchase of non-Michigan goods and services if comparably priced Michigan goods and services are available. The Executive deletes this language.

Sec. 208. Filing Reports Required by Boilerplate - NEW

Reports to the Legislature required under this act must be transmitted electronically, e-mail or on an internet/intranet site. The Executive recommends this language.

Sec. 301. Watchtowers at Maximum Correctional Facilities - DELETED

New maximum security prisons are to have manned and operational watchtowers. The Executive deletes this language.

Sec. 602. State Owned Building Demolitions - MODIFIED

The Department of Management and Budget may demolish any state owned building as designated by law. The Executive deletes "designated by law" phrase and allows this to be an administrative matter.

Major Boilerplate Changes from FY 2002-03:

Sec. 603. Capital Outlay Expenditures From Operating Accounts - MODIFIED

State departments and agencies may spend up to \$1 million from operating accounts for capital outlay purposes (e.g., maintenance). Expenditures over \$1 million must be specifically authorized by law. The Executive deletes "authorized by law" phrase and allows the budget director and DMB director to authorize approvals.

Sec. 704. State Building Authority Reporting Requirements - DELETED

Twice per year, the SBA is to provide a report to the Joint Capital Outlay Subcommittee and fiscal agencies on the status of active projects and of all bonding activity for completed projects. The Executive deletes this language.

Sec. 1101(6). Prohibit Expansion of Willow Run Airport - DELETED

Funds provided for improvement projects at Willow Run Airport (Wayne/Washtenaw counties) under this act cannot be expended for projects that would lead to the expanded usage of the airport. The Executive deletes this language.

Sec. 1105. Project Funding Shifts (MDOT) - NEW

Terminates the Brighton and Grayling office project authorizations and re-directs the respective appropriations to the Detroit and Gaylord projects authorized in this act. The Executive recommends this language.

Sec. 1301. Project Contingency - NEW

The construction authorizations in this act for the Department of Military and Veterans' Affairs are contingent on availability of both federal and state restricted funds. The Executive recommends this language.

**Summary: Executive Budget Recommendation
HISTORY, ARTS, AND LIBRARIES
FY 2003-04 Senate Bill 279**

Analyst: Steve Stauff

FY 2003-04 Appropriation Recommendations

	FY 2002-03 YTD (as of 3/6/03)	FY 2003-04 Executive	Difference: Exec to FY 2002-03 YTD	
			Amount	%
IDG/IDT	\$0	\$137,500	\$137,500	100.0
Federal	8,295,700	9,322,600	1,026,900	12.4
Local	0	0	0	0.0
Private	577,400	577,400	0	0.0
Restricted	1,900,900	2,308,800	407,900	21.5
GF/GP	58,451,636	46,440,000	(12,011,636)	(20.5)
Gross	\$69,225,636	\$58,786,300	(\$10,439,336)	(15.1)
FTEs	247.5	254.5	7.0	2.8

Overview

The Department of History, Arts, and Libraries administers programs in four major areas: arts and cultural affairs, which includes administration of Michigan's Arts and Cultural Grants program; Mackinac Island State Park Commission, which oversees operational activities at the Mackinac Island State Park, the Michilimackinac State Park, and the Mill Creek State Park; historical program, which includes historical museum system, historical publications, archaeological, and lighthouse preservation activities; and library services, providing reference services to the public and Legislative, Executive, and Judicial branches of state government, as well as assisting public libraries statewide.

Summary of Major Budget Issues

Arts and Cultural Grants Reduction

The Executive Recommendation proposes a 49% (\$10,629,200) GF/GP reduction of Arts and Cultural Grants funding from the FY 2002-03 level. The cumulative reduction is 50% (\$11,771,300) from the 2002-03 enacted budget bill.

Reductions to Local Libraries

The Executive Recommendation includes a \$1,019,000 GF/GP reduction in grant funding to local libraries from the FY 2002-03 year-to-date (YTD) level. Programs affected include State Aid to libraries, Subregional State Aid to the blind and physically handicapped, and specific grants to the Detroit Public Library and the Grand Rapids Public Library.

Increased Federal LSTA Revenue

It is proposed by the Executive that the federal authorization for Library Services and Technology Act (LSTA) revenue be increased by \$1.0 million. The adjustment allows for expenditure of available revenue through sub grants to encourage the use of technology by Michigan libraries.

Pause of the Lighthouse Grants

The Executive Recommendation proposes that the Michigan Lighthouse Assistance Program be paused for FY 2003-04. By pausing the program, the Executive reflects GF/GP savings of \$152,700. Past funding provided seed money for planning or restoration work on Michigan lighthouses.

Major Budget Changes from FY 2002-03 YTD Appropriations:		YTD FY 2002-03	Executive Change
1. Arts and Cultural Grants	Gross	\$22,400,500	(\$10,629,200)
The Executive Recommendation proposes a 49% GF/GP reduction of Arts and Cultural Grants funding from the FY 2002-03 level. The cumulative reduction is 50% (\$11,771,300) from the 2003 enacted budget bill.	Federal	700,000	0
	Restricted	21,700,500	(10,629,200)
2. Administrative Reductions - Programs	Gross	N/A	(\$1,791,300)
The Executive proposes GF/GP reductions ranging from 11% to 15% within the following lines from YTD FY 2003-04. Reduced funding may influence salary and other operating expenses.	GF/GP	N/A	(\$1,791,300)
Administration (Arts)			(89,200)
Mackinac Island State Park Operation			(163,300)
Historical Facilities System			(30,000)
Historical Administration and Services			(667,400)
Thunder Bay National Marine Sanctuary and Underwater			(26,500)
Library of Michigan Operations			(667,400)
3. Records Center and State Demographer Transfer	FTE	0.0	9.5
The Records Center and State Demographer programs are moved from the Department of Management and Budget to the Department of History, Arts and Libraries pursuant to Executive Order 2002-17. The Executive proposes to include funding within the following appropriation lines:	Gross	\$0	\$1,402,000
Management Services	GF/GP	\$0	\$1,402,000
Information Technology Services and Projects			
Historical Administration and Services			\$1,119,600
Library of Michigan Operations			\$165,000
4. Grants to Libraries	Gross	\$16,175,800	(\$1,019,000)
The Executive Recommendation includes a \$1,019,000 GF/GP reduction in grant funding to local libraries from the FY 2002-03 YTD level. This represents a 6.7% reduction from YTD. Regional library funding to the Wayne County Library for the Blind and Physically Handicapped was not reduced. Programs affected include:	Federal	1,000,000	0
State Aid to Libraries	GF/GP	\$15,175,800	(\$1,019,000)
Subregional State Aid			(\$35,800)
Grant to the Detroit Public Library			(\$124,000)
Grand Rapids Public Library			(\$8,500)
5. Library Services Technology Fund	Gross	\$4,557,400	\$1,000,000
It is proposed by the Executive that the federal authorization for Library Services and Technology Act (LSTA) authorization be increased by \$1.0 million. The adjustment allows for the expenditure of available revenue through sub grants to encourage the use of technology by Michigan libraries.	Federal	4,557,400	1,000,000
6. Renaissance Zone Reimbursement	Gross	\$995,600	\$644,400
The Executive Recommendation includes a \$644,400 increase for Renaissance Zone Reimbursement payments. These payments hold harmless libraries that lose money from their property tax levies due to the presence of a Renaissance Zone within their taxing authority.	GF/GP	\$995,600	\$644,400
7. Mackinac Island State Park Commission	Gross	\$1,114,000	\$265,000
The Executive includes increases of restricted fund authorization for the Airport Park Operations Fees, \$30,000; and the Mackinac Island State Park Fund, \$235,000. These increases represent projected available revenues.	Restricted	1,114,000	265,000

Major Budget Changes from FY 2002-03 YTD Appropriations:		YTD FY 2002-03	Executive Change
8. Administrative Reductions - Management	Gross	N/A	(\$389,300)
The Executive proposes GF/GP reductions ranging from 11% to 14% within the following lines from YTD FY 2002-03. Reduced funding may influence salary and other operating expenses.	GF/GP	N/A	(\$389,300)
Management Services			(\$231,800)
Office of Film and Television Services			(\$15,100)
Information Technology Services and Projects			(\$142,400)
9. Lighthouse Grants	Gross	\$152,700	(\$152,700)
The Executive Recommendation proposes that the Michigan Lighthouse Assistance Program be paused for FY 2003-04. By pausing the program, the Executive projects GF/GP savings of \$152,700. Past funding provided seed money for planning or restoration work on Michigan lighthouses.	GF/GP	\$152,700	(\$152,700)

Major Boilerplate Changes from FY 2002-03:**Sec. 207. Privatization Plan - DELETED**

Requires submission of project plan to Legislature 60 days before beginning any effort to privatize.

Sec. 209. American Goods and Services - DELETED

Prohibits purchase of foreign goods and services if comparably priced American goods and services are available.

Sec. 210. Deprived and Depressed Communities - DELETED

Requires that reasonable steps be taken to ensure businesses in deprived and depressed communities compete for and perform state contracts.

Sec. 211. Affirmative Action - DELETED

Requires that in order to receive GF/GP funding, the Department must follow the guidelines developed by the state equal opportunity workforce planning council.

Sec. 211. Revolving Fund/Receive and Expend Language - NEW

The Department may receive and expend monies related to certain activities. Executive Order 2002-17 transferred services that had traditionally been funded through the use of a revolving fund. Unexpended funds at year-end may be carried forward.

Sec. 212. Appropriation of Unexpended General Funds - NEW

In order to encourage administrative efficiencies, appropriates up to one-half of the unexpended, unreserved portions of FY 2002-03 general fund appropriations, subject to the approval of the budget director.

Sec. 215. Statewide Database Access Expenditure Tracking - DELETED

Requires the Department to maintain accounting structure that will track costs related to the Statewide Database Access expenditures currently contained in the Library of Michigan Operation appropriation line.

Sec. 301. Per Diem Payments - DELETED

Set the per diem payment at \$50 per day for all commissions and boards funded from appropriations in Part 1.

Sec. 401(7). Arts Grant Application Fees - MODIFIED

Allows the Department to collect grant application fees to be used for direct and indirect cost recovery. The Executive increases the fee charged from \$100 or 1% of the grant whichever is less to \$300 or 3% of the grant whichever is less.

Sec. 504. Lighthouse Program Guidelines - DELETED

Established the guidelines for the lighthouse program. The Executive deletes due to a pause in the program.

Sec. 505. Sale of State Historical Museum Artifacts - NEW

Allows that proceeds from the sale of unsuitable Michigan Historic Museum artifacts may be used to purchase additional material for the collection. These revenues are immediately appropriated for expenditure.

Major Boilerplate Changes from FY 2002-03:

Sec. 506. Application Fees for State Historic Sites - DELETED

Describes application fees and their use for each application submitted for property designated as a state historic site; provides for the deposit of fees into a revolving account; limits fund expenditures to correcting, repairing, or replacing historic markers. The Executive deletes due to passage of 2002 PA 488.

Sec. 601. Subregional State Aid - MODIFIED

Requires local units of government to maintain their local support for subregional library services in order to receive Subregional State Aid. The Executive modifies the language to include not only local units of government but as well cooperative and district libraries.

**Summary: Executive Budget Recommendation
JUDICIARY
FY 2003-04 Senate Bill 281**

Analyst: Kyle I. Jen

FY 2003-04 Appropriation Recommendations

	FY 2002-03 YTD (as of 3/6/03)	FY 2003-04 Executive	Difference: Exec to FY 2002-03 YTD	
			Amount	%
IDG/IDT	\$2,833,500	\$4,633,500	\$1,800,000	63.5
Federal	3,901,000	3,806,500	(94,500)	(2.4)
Local	2,941,800	2,898,700	(43,100)	(1.5)
Private	842,500	842,500	0	0.0
Restricted	57,477,700	78,995,300	21,517,600	37.4
GF/GP	174,721,000	161,316,400	(13,404,600)	(7.7)
Gross	\$242,717,500	\$252,492,900	\$9,775,400	4.0
FTEs	582.5	582.5	0.0	0.0

Overview

Article VI of the State Constitution of 1963 is the basis for Michigan's judicial branch of government. The Judiciary budget includes operational funding for the Michigan Supreme Court, Court of Appeals, and related judicial agencies. Additionally, the budget funds the salaries of justices of the Supreme Court and judges at the appeals, circuit, probate, and district levels according to constitutional and statutory requirements. Grant funding for trial court operations is provided to counties through Court Equity Fund reimbursements based on a statutory formula. Various other grant programs provide funding to trial courts and related organizations. In FY 2002-03, justices' and judges' salaries constitute the largest portion of the Judiciary budget; approximately 37% of the gross budget and 48% of the GF/GP budget.

Summary of Major Budget Issues

Court Equity Fund

The Executive reflects \$8.6 million in increased restricted revenue for the Court Equity Fund from proposed filing fee increases (\$3.0 million) and the proposed Justice System Fund (\$5.6 million), which would receive revenue from a consolidated assessment on traffic civil infractions and costs paid by criminal offenders. The GF/GP appropriation for Court Equity Fund reimbursements would be reduced by \$9.4 million, resulting in a net reduction of \$750,100.

Judicial Technology Improvement Fund

The Executive includes \$4.5 million in new restricted revenue for the Judicial Technology Improvement Fund from proposed filing fee increases. The existing \$2.1 million GF/GP appropriated for judicial technology improvement and court boundary realignment costs would be eliminated, leaving a \$2.4 million net increase.

Drug Court Grant Program

The Executive includes \$1.3 million in new restricted revenue for the Drug Court Grant Program from the proposed Justice System Fund. Additionally, a \$1.8 million IDG of federal Byrne grant funding is proposed to fund drug court initiatives. The existing \$1.3 million GF/GP in drug court grant funding is maintained at roughly the current-year level. Also, \$1.9 million currently expended directly by the state Office of Drug Control Policy for drug court grants is retained in the Community Health budget. Total state resources available for drug court grants, then, would roughly double.

Community Dispute Resolution Program

The Executive reflects \$559,200 in increased restricted revenue for the Community Dispute Resolution Program from proposed filing fee increases. This increase would roughly offset elimination of the program's current \$565,000 GF/GP appropriation.

Major Budget Changes from FY 2002-03 YTD Appropriations:		YTD FY 2002-03	Executive Change
1. Court Equity Fund	Gross	\$70,656,100	(\$750,100)
Reflects increased restricted revenue for the Court Equity Fund from proposed filing fee increases (\$3.0 million) and the proposed Justice System Fund (\$5.6 million). A GF/GP reduction would offset this revenue increase, resulting in a net reduction of \$750,100.	Restricted	36,044,000	8,625,900
	GF/GP	\$34,612,100	(\$9,376,000)
2. Judicial Technology Improvement Fund	Gross	\$2,072,800	\$2,392,200
Includes new restricted revenue for the Judicial Technology Improvement Fund from proposed filing fee increases. Elimination of existing GF/GP funds appropriated for judicial technology improvement and court boundary realignment costs would leave a \$2.4 million net increase.	Restricted	0	4,465,000
	GF/GP	\$2,072,800	(\$2,072,800)
3. Drug Court Grant Program	Gross	\$1,280,800	\$3,054,200
Includes new restricted revenue for the Drug Court Grant Program from the proposed Justice System Fund. An IDG of federal Byrne grant funding from the Community Health budget is proposed to fund drug court initiatives; see new boilerplate section 306(5). (Also, \$1.9 million currently expended directly by the state Office of Drug Control Policy for drug court grants is retained in the Community Health budget.)	IDG	0	1,800,000
	Restricted	0	1,267,500
	GF/GP	\$1,280,800	(\$13,300)
4. Community Dispute Resolution Program	Gross	\$2,505,600	(\$5,800)
Reflects increased restricted revenue for the Community Dispute Resolution Program from proposed filing fee increases. This increase would roughly offset elimination of the current GF/GP appropriation for the program.	Federal	275,000	0
	Restricted	1,665,600	559,200
	GF/GP	\$565,000	(\$565,000)
5. Operational Reductions	Gross	N/A	(\$1,328,600)
Contains \$1.3 million GF/GP in reductions across all operational line items in the budget.	GF/GP	N/A	(\$1,328,600)
6. Justices' and Judges' Compensation	Gross	\$90,679,600	\$1,585,100
Includes three types of positive adjustments: (1) restores funding for costs of one pay period not needed in FY 2002-03 (\$953,500), (2) provides new/annualized funding for additional/converted judgeships (\$500,100), and (3) adjusts for social security and retirement cost increases (\$131,500).	Restricted	7,090,200	0
	GF/GP	\$83,589,400	\$1,585,100
7. Rent and Building Occupancy Charges	Gross	N/A	(\$1,068,000)
Projects reductions in private rent (\$295,100) and building occupancy charges (\$772,900) for facilities in which judicial agencies are housed.	GF/GP	N/A	(\$1,068,000)
8. Early Retirement Adjustments	Gross	N/A	(\$566,000)
Reflects two types of adjustments related to 2002 early retirement package: (1) removal of funds for one-time leave payouts and (2) annualization of savings for October 2002 retirees.	GF/GP	N/A	(\$566,000)
9. Juror Compensation Reimbursement	Gross	\$0	\$6,600,000
Includes new statutory restricted funding source for juror compensation reimbursement payments to trial courts.	Restricted	0	6,600,000

Major Boilerplate Changes from FY 2002-03:

Sec. 207. Privatization Plan - DELETED

Requires submission of project plan to Legislature 60 days before beginning any effort to privatize.

Sec. 209. American Goods and Services - DELETED

Prohibits purchase of foreign goods and services if comparably priced American goods and services are available.

Sec. 210. Deprived and Depressed Communities - DELETED

Requires that reasonable steps be taken to ensure businesses in deprived and depressed communities compete for and perform state contracts.

Sec. 211. Personal Service Contracts - DELETED

Requires reports to Legislature on certain categories of personal services contract.

Sec. 212. Retention of Reports - DELETED

Requires Judiciary to create and retain reports according to federal and state guidelines.

Sec. 304. Cooperation with Auditor General - DELETED

Directs judicial branch to cooperate with the Auditor General.

Sec. 305. Appropriations Status Reports - DELETED

Requires quarterly appropriations status reports to avoid over-expenditure of funds appropriated.

Sec. 306(5). Byrne Grant Funding - NEW

Provides for Judiciary to receive \$1.8 million in Byrne formula grant funding for expansion of drug treatment courts, to assist in avoiding prison bed space growth for nonviolent offenders.

Sec. 310. Community Dispute Resolution Program - DELETED

Provides for distribution of GF/GP funding for the program (1) to achieve a base level of \$30,000 and (2) for the remainder, based on performance measures (similar language proposed for incorporation into governing statute); encourages distribution of informational brochures regarding program.

Sec. 312. Parental Rights Restoration Act - DELETED

Requires statistical report regarding implementation of the Parental Rights Restoration Act.

Sec. 313. Child Support Enforcement System (CSES) - County Penalties - DELETED

Provides that counties not be penalized for non-compliance with federal CSES requirements if the Family Independence Agency determines that certain conditions have been met.

Sec. 316(3). Child Support Enforcement System (CSES) - Refund - DELETED

Appropriates \$6.0 million to Judicial Technology Improvement Fund, of which \$1.0 million may be used for the cyber court initiative, contingent upon receipt of CSES-related penalties from federal government.

Sec. 317. Mental Health Court Funding - DELETED

Directs State Court Administrative Office to assist locals in applying for federal grant funding for mental health courts if such funding becomes available.

Sec. 318. Child Care Studies - DELETED

Directs Supreme Court to assist local trial courts with feasibility studies on the provision of child care for parents who must appear in court.

Sec. 320. Juvenile Justice System - DELETED

Calls for judicial branch to work with other state agencies to improve delivery of mental health/substance abuse treatment and education/training services for individuals leaving the juvenile justice system.

Sec. 321. Information Technology - DELETED

Directs judicial branch to communicate with Department of Information Technology regarding information technology activities.

Sec. 322. Court Boundary Realignment - DELETED

Provides for allocation of funds appropriated for court boundary realignment (one-time appropriation; not included in FY 2003-04 Executive Recommendation).

Summary: Executive Budget Recommendation

TRANSPORTATION

FY 2003-04 Senate Bill 265

Analyst: William E. Hamilton

FY 2003-04 Appropriation Recommendations

	FY 2002-03 YTD (as of 3/6/03)	FY 2003-04 Executive	Difference: Exec to FY 2002-03 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	963,136,100	965,255,100	2,119,000	0.2
Local	5,800,000	5,800,000	0	0.0
Private	0	0	0	0.0
Restricted	2,124,655,300	2,228,934,100	104,278,800	4.9
GF/GP	0	0	0	0.0
Gross	\$3,093,591,400	\$3,199,989,200	\$106,397,800	3.4
FTEs	3,074.3	3,075.3	1.0	0.0

Overview

The state transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation (MDOT). Funding is provided from state restricted, federal, and local revenue. There is no state GF/GP revenue in this budget.

Summary of Major Budget Issues

Among other changes, the Executive has identified three statutory changes (first three below) as necessary to implement the proposed budget:

Diesel Tax Increase

The Executive proposes a 4-cent per gallon increase in diesel and LP gas motor fuel taxes. The additional revenue from this increase, estimated at \$38.9 million, would be distributed per the current PA 51 of 1951 formula—effectively 10% to the Comprehensive Transportation Fund (CTF) for public transportation programs, 35% for state trunkline programs administered by MDOT, 35% to County Road Commissions, and 20% to cities and villages.

Driver's License Fees

The Executive proposes to redirect \$13.0 million in driver's license fee revenue currently earmarked for the Transportation Economic Development Fund to a new Traffic Enforcement and Safety Fund within the Michigan State Police.

Vehicle-Related Sales Tax

Under current law, the CTF receives 27.9% of 1/6 of the sales tax assessed on vehicle-related sales. The Executive proposes to amend the Sales Tax Act to instead earmark 24.0% of 1/6 of the vehicle-related sales tax to the CTF. This change would redirect approximately \$11.0 million from the CTF to the state General Fund in FY 2003-04.

MTF Grants to Other State Departments

The Executive-proposed budget includes \$104.4 million in Michigan Transportation Fund (MTF) grants to other state departments—\$1.4 million less than the current-year. These grants are used primarily to reimburse the Departments of State and Treasury for the costs of collecting MTF revenue.

Major Budget Changes from FY 2002-03 YTD Appropriations:

1. Debt Service

Total FY 2003-04 debt service would be \$135.3 million. Debt service increases from new Build Michigan III bonds, federal revenue anticipation bonds, and Comprehensive Transportation Fund bonds sold in 2002 were offset by savings of \$12.6 million realized through refinancing—also in 2002—of State Trunkline bonds. Fiscal Year 2003-04 debt service would include \$1.05 million (CTF) related to a proposed bond sale to complete the Midfield Terminal project at Detroit Wayne County Airport.

	YTD FY 2002-03	Executive Change
Gross	\$137,632,100	(\$2,356,400)
Federal	21,000,000	3,000,000
Restricted	116,632,100	(5,356,400)

2. Michigan Transportation Fund (MTF) Grants to Other State Departments (IDGs)

Interdepartmental grants from the MTF, used primarily to reimburse the Departments of State and Treasury for the costs of collecting MTF revenue, would be \$1.4 million less than the current-year appropriation. The reduction is largely due to one-time costs appropriated in the current year for the implementation of an electronic motor fuel tax collection system in the Department of Treasury.

Gross	\$105,747,800	(\$1,368,600)
Restricted	105,747,800	(1,368,600)

3. State Trunkline Fund (STF) Grant to Michigan State Police (MSP)

For the current year, the Legislature appropriated \$1.4 million more than the FY 2002-03 Executive recommendation to provide for increased motor carrier enforcement within the MSP. In signing HB 5651, Governor Engler indicated that the Departments of State Police and Transportation were under no mandate to spend the additional funding. The Executive recommendation for FY 2003-04—\$6.9 million—does not include the additional funding for motor carrier enforcement.

Gross	\$8,253,300	(\$1,400,000)
Restricted	8,253,300	(1,400,000)

4. State Transportation Commission Per Diem

The Executive proposes to eliminate this line used to pay per diem expense reimbursement to members of the State Transportation Commission for attending meetings.

Gross	\$10,000	(\$10,000)
Restricted	10,000	(10,000)

5. Highway Maintenance

Executive recommends the appropriation of \$234.0 million for state trunkline maintenance—an increase of less than 1%. The increase largely reflects costs of additional lane miles added to the state trunkline system through new construction and jurisdictional transfers, and the increased cost of road maintenance materials.

The Executive proposes to roll up the \$135.3 million Contract operations line item into a single State trunkline operations line.

Gross	\$232,911,100	\$1,117,500
Restricted	232,911,100	1,117,500

6. State Trunkline Road and Bridge Construction

This line, used to support construction and reconstruction of state trunkline roads and bridges, would be funded at \$961.3 million in the proposed budget—an increase of 5.3% from the current year. This increase is due in part to restoration of \$9.2 million in funds vetoed from the FY 2002-03 budget and to a \$2.0 million increase in Blue Water Bridge project funding.

This line also reflects increased revenue as a result of anticipated increases in motor fuel tax revenue – including revenue from a proposed increase in diesel motor fuel taxes.

Note that the decrease in federal funds shown above does not reflect a decrease in actual available federal funds. It merely adjusts federal revenue in the budget to more closely reflect actual anticipated federal revenues.

Gross	\$912,670,600	\$48,669,800
Federal	656,187,300	(18,687,300)
Local	5,000,000	0
Restricted	251,483,000	67,357,100

ALL OTHER - TRANSPORTATION

Major Budget Changes from FY 2002-03 YTD Appropriations:		YTD FY 2002-03	Executive Change
7. Federal Aid to Local Road Agencies The appropriation of federal funds for local road agency construction projects would be \$226.5 million for FY 2003-04—an increase of \$11.4 million over the current year. This allocation of federal aid to local units of government reflects the 75:25 split between MDOT and local road agencies required by Act 51.	Gross	\$215,132,000	\$11,368,000
	Federal	215,132,000	11,368,000
8. MTF Distribution to Local Road Agencies Public Act 51 of 1951 (Act 51) provides for a formula distribution of funds from the Michigan Transportation Fund (MTF) to eligible local road agencies (county road commissions, and incorporated cities and villages). The estimated distribution in the Executive budget would be \$993.0 million—\$637.5 million to county road commissions, and \$355.4 million to cities and villages. The actual MTF distribution will be based on actual MTF revenue—which may be more or less than the amount appropriated. The MTF formula distribution to local road agencies for FY 2001-02 was \$919.1 million.	Gross	\$931,367,800	\$61,603,400
	Restricted	931,367,800	61,603,400
9. Transportation Economic Development Fund (TEDF) The Executive budget includes \$26.9 million in funding for the TEDF program—a decrease of 37.1% from the current year. The decrease is primarily due to the proposed redirection of \$13.0 million of driver's license fee revenue currently earmarked for the TEDF to a new Traffic Enforcement and Safety Fund within the Michigan State Police. This redirection would require an amendment to the Michigan Vehicle Code. The decrease also reflects a \$2.9 million increase in Build Michigan III /TEDF debt service. The Executive budget also recommends elimination of a \$40,000 boilerplate earmark for timber truck inspection stations, included in the Category "F" (Forest Roads) program.	Gross	\$42,848,300	(\$15,915,900)
	Restricted	42,848,300	(15,915,900)
10. Aeronautics Programs Executive recommends the appropriation of \$6.5 million—an increase of 12.2% from the current year based on anticipated increases in State Aeronautics Fund revenue. The proposed budget would fund the Air Service Program at \$600,000—an increase of \$300,000—and would increase funding to the All Weather Airport Access Program by \$539,200. Aeronautics appropriations also reflect the restoration of \$21,000 in funding vetoed from the current year budget, and \$150,900 in early retirement savings.	Gross	\$5,809,600	\$709,300
	Restricted	5,809,600	709,300
11. Bus Transit - Local Bus Operating Assistance This line item is used to provide state operating assistance to 75 public transit agencies in Michigan. The Executive proposes \$160.0 million (CTF)—the same as current-year appropriations. Note that the Executive budget includes the appropriation of \$4.02 million from CTF funds lapsed to the fund balance at the end of FY 2002-03.	Gross	\$160,000,000	\$0
	Restricted	160,000,000	0
12. Bus Transit - Non-Urban Operating/Capital Provides federal funds (from Federal Transit Act, Section 5311) to transit systems in "non-urbanized" areas (populations less than 50,000). The Executive recommends \$10.9 million for this line based on anticipated increases in FTA revenue.	Gross	\$10,300,000	\$600,000
	Federal	10,100,000	600,000
	Local	200,000	0

Major Budget Changes from FY 2002-03 YTD Appropriations:**13. Bus Capital**

The Executive recommends \$53.0 million based on anticipated increases in federal revenue.

	YTD FY 2002-03	Executive Change
Gross	\$48,849,500	\$4,200,000
Federal	34,650,000	4,200,000
Restricted	13,699,500	0
Local	500,000	0

14. Early Retirement Savings

The Executive budget reflects \$4.8 million in savings related to the 2002 early retirement program. This savings are reflected in various Department administrative and operating line items.

Gross	N/A	(\$4,825,800)
Federal	N/A	(84,900)
Restricted	N/A	(4,740,900)

15. Economics

The Executive budget reflects \$170,000 in anticipated workers compensation increases which were offset by an anticipated decrease of \$315,800 in building occupancy charges. There were no increases budgeted for state employee salaries or benefits.

Gross	N/A	(\$145,800)
Restricted	N/A	(145,800)

Major Boilerplate Changes from FY 2002-03:**Sec. 206. Contingency Funds - MODIFIED**

The **Executive** recommends \$200.0 million in federal contingency funds—\$100.0 million more than the current year.

Sec. 306. Audit of Use of Transportation Funds - MODIFIED

The Executive proposed to change the audit requirement to a biennial audit, rather than the annual audit currently required.

Fourth Floor, North Tower, Anderson Building
124 North Capitol Avenue, Lansing, Michigan 48933

Mail to: P. O. Box 30014
Lansing, Michigan 48909-7514

Phone: 517-373-8080 FAX: 517-373-5874
www.house.mi.gov/hfa



Mitchell E. Bean, Director
Bill Fairgrieve, Deputy Director

COMMUNITY HEALTH **Bill Fairgrieve, Deputy Director**
Medicaid Bill Fairgrieve, Senior Analyst
Mental Health–Substance Abuse Margaret Alston, Senior Analyst
Public Health–Aging Susan Frey, Senior Analyst

EDUCATION AND HUMAN SERVICES **Hank Prince, Associate Director**
Higher Education Hank Prince, Senior Analyst
Career Development–Consumer and Industry Services–
Michigan Strategic Fund Steve Stauff, Senior Analyst
Community Colleges Marilyn Peterson, Senior Analyst
Family Independence Agency
Administration–Grants–Staffing Myron Freeman, Senior Analyst; Richard Child, Fiscal Analyst
Child and Family Services–Juvenile Justice Erin Black, Senior Analyst
Education Mary Ann Cleary, Senior Analyst; Laurie Cummings, Senior Analyst
School Aid Mary Ann Cleary, Senior Analyst; Laurie Cummings, Senior Analyst
Transportation William E. Hamilton, Senior Analyst

GENERAL GOVERNMENT **Al Valenzio, Associate Director**
Capital Outlay–Retirement–Supplementals Al Valenzio, Senior Analyst
Attorney General–Auditor General–Civil Rights–Civil Service–Executive Office–
Information Technology–Legislature–Lottery–Management and Budget–
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Natural Resources–Natural Resources Trust Fund–Agriculture Kirk Lindquist, Senior Analyst
Military and Veterans Affairs–State Police–Judiciary–Legislative Transfers Kyle I. Jen, Senior Analyst

ECONOMIC AND REVENUE FORECAST–TAX ANALYSIS **Rebecca Ross, Senior Economist**
Jim Stansell, Economist

FISCAL OVERSIGHT, AUDIT AND LITIGATION **Myron Freeman, Senior Analyst**

SUPPORT STAFF

Office Manager Sharon Risko, Administrative Assistant
Publications and Data Jeanne Dee, Administrative Assistant
Community Health–Corrections–Family Independence Agency–HFA Library . . . Tumai Burris, Budget Assistant
Career Development–Community Colleges–Consumer and Industry Services–
Education–Higher Education–Michigan Strategic Fund–School Aid–
Transportation– HFA Internet Barbara Graves, Budget Assistant
Agriculture–Capital Outlay–Environmental Quality–General Government–
History, Arts, and Libraries–Judiciary–Military and Veterans Affairs–
Natural Resources– Retirement–Revenue and Tax Analysis–State Police–
Supplementals– Transfers– Bill Analysis Julie Stapelman, Budget Assistant
Facilities Coordinator Receptionist

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House Fiscal Agency
P.O. Box 30014
Lansing, MI 48909-7514
(517) 373-8080
FAX (517) 373-5874
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